

# PARAGON UNION BERHAD (286457-V)

## CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2008

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/06/2008 RM'000	Preceding Year Corresponding Quarter 30/06/2007 RM'000	Current Year To Date 30/06/2008 RM'000	Preceding Year Corresponding Period 30/06/2007 RM'000
Revenue	16,711	38,203	48,186	64,442
Operating expenses	(16,619)	(38,246)	(47,862)	(64,068)
Other operating income	57	51	86	62
Profit from operations	149	8	410	436
Finance costs	(55)	(304)	(101)	(663)
Gain on disposal of other investments	-	-	-	8
Profit/(Loss) before taxation	94	(296)	309	(219)
Taxation	(19)	347	(92)	384
Profit for the period	75	51	217	165
Attributable to :				
Equity holders of the parent	75	51	217	165
Minority interest	-	-	-	-
	75	51	217	165
Earnings per share (sen)				
- Basic	0.12	0.08	0.33	0.25
- Fully Diluted	-	-	-	-

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007)

# PARAGON UNION BERHAD (286457-V)

## CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2008

	As at End of Current Quarter 30/06/2008 RM'000	As at Preceding Financial Year End 31/12/2007 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	22,597	23,182
Prepaid Lease Payments	8,919	8,979
Intangible Asset	981	981
Deferred Tax Asset	2	2
	32,499	33,143
<b>Current Assets</b>		
Property Development Costs	3,934	10,689
Inventories	13,318	11,986
Trade and Other Receivables	53,224	58,584
Current Tax Assets	384	553
Cash and Cash Equivalents	12,736	5,831
	83,597	87,643
<b>TOTAL ASSETS</b>	116,096	120,786
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable To Equity Holders Of The Parent</b>		
Share Capital	70,000	70,000
Reserves, non-distributable	868	909
Retained Profit	7,432	7,174
Treasury Shares, at cost	(4,057)	(3,858)
<b>Total Equity</b>	74,244	74,225
<b>Non-Current Liabilities</b>		
Deferred Tax Liabilities	3,218	3,747
Hire Purchase Liabilities	217	359
Bank Borrowings	826	-
	4,261	4,106
<b>Current Liabilities</b>		
Trade and Other Payables	30,567	36,140
Hire Purchase Liabilities	303	339
Borrowings	3,756	3,380
Current Tax Liabilities	2,965	2,597
	37,591	42,455
<b>Total Liabilities</b>	41,852	46,561
<b>TOTAL EQUITY AND LIABILITIES</b>	116,096	120,786
<b>Net Assets Per Share (RM)</b>	1.1419	1.1340

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31st December 2007)

# PARAGON UNION BERHAD (286457-V)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2008

	← Attributable to Equity Holders of the Parent →					
	Share Capital RM'000	Asset Valuation Reserve RM'000	Merger Reserve RM'000	Retained Profit RM'000	Treasury Shares RM'000	Total RM'000
<b>At 1 January 2008</b>	70,000	5,527	(4,618)	7,174	(3,858)	74,225
Realisation of reserve on amortisation of revalued properties, representing net gain/(loss) recognised directly in equity	-	(41)	-	41	-	-
Net profit for the period	-	-	-	217	-	217
Total recognised income and expense for the period	-	(41)	-	258	-	217
Shares purchased during the period held as treasury shares	-	-	-	-	(199)	(199)
<b>At 30 June 2008</b>	70,000	5,486	(4,618)	7,432	(4,057)	74,244
<b>At 1 January 2007</b>	70,000	5,386	(4,618)	6,366	(3,583)	73,551
Realisation of reserve on amortisation of revalued properties, representing net gain/(loss) recognised directly in equity	-	(46)	-	46	-	-
Net profit for the period	-	-	-	165	-	165
Total recognised income and expense for the period	-	(46)	-	211	-	165
Shares purchased during the period held as treasury shares	-	-	-	-	(97)	(97)
<b>At 30 June 2007</b>	70,000	5,340	(4,618)	6,577	(3,680)	73,619

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st December 2007)

# PARAGON UNION BERHAD (286457-V)

## CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

	2008 6 Months Ended 30 June RM'000	2007 6 Months Ended 30 June RM'000
<b>Operating Activities</b>		
Net Profit/(Loss) Before Tax	309	(219)
Adjustments for non-cash flow :		
Interest expenses	101	664
Non-cash items	1,056	992
Non-operating items	(50)	(18)
Operating profit before working capital changes	1,416	1,419
Changes in working capital		
Net change in development properties	6,756	37,537
Net change in current assets	3,908	(15,019)
Net change in current liabilities	(4,622)	(15,136)
Cash generated from operations	7,459	8,801
Taxation paid	(85)	(316)
Interest paid	(85)	(805)
Interest received	75	52
Net cash from operating activities	7,364	7,732
<b>Investing Activities</b>		
Other investments	-	-
Other investing activities	(316)	(579)
Net cash used in investing activities	(316)	(579)
<b>Financing Activities</b>		
Drawdown of bank borrowings	1,000	6,000
Repayment of term loans	(280)	(6,109)
Shares buy-back	(199)	(97)
Hire purchase interest	(17)	(28)
Payment of hire purchase instalments	(177)	(164)
Net cash from/(used in) financing activities	327	(398)
<b>Net changes in cash and cash equivalents</b>	7,375	6,755
<b>Cash and cash equivalents brought forward</b>	4,356	(2,961)
<b>Cash and cash equivalents carried forward</b>	11,731	3,794

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2007)

**PARAGON UNION BERHAD (286457-V)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER**  
**ENDED 30 JUNE 2008**

**NOTES TO THE INTERIM FINANCIAL REPORT**

1) Accounting Policies

The interim financial report has been prepared in accordance with the requirements of Financial Reporting Standard (“FRS”) 134 : “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the 31 December 2007 Annual Financial Report.

The interim financial report has been prepared based on accounting policies and methods of computation which are consistent with those adopted in the 31 December 2007 Annual Financial Report except for the adoption of the following new/revised FRSs and new Interpretations, that are applicable for the financial period beginning 1 January 2008 :

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similiar Liabilities
IC Interpretation 2	Members’ Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronics Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 <sub>2004</sub> - Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

The adoption of these new/revised FRSs does not have significant financial impact on the financial statements of the Group, whereas FRS 120, IC Interpretation 1, 2, 5, 6 and 7 are not relevant or material for the Group’s operations.

The Group has not opted for early adoption of FRS 139 Financial Instruments : Recognition and Measurement, which has been deferred to an effective date yet to be announced.

2) Qualified Audit Report

The auditors’ report on the financial statements for the year ended 31 December 2007 was not qualified.

3) Seasonal or Cyclical Factors

The business operations of the Group were not significantly affected by any seasonal or cyclical factors for the financial periods under review.

#### 4) Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

#### 5) Changes In Estimates

There were no material changes in estimates of amounts reported in prior interim periods of the current financial year or prior financial year that have had a material impact on the current quarter results.

#### 6) Issuance and Repayment of Debts and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial period ended 30 June 2008 except for shares buy-back.

The particulars of shares buy-back in the financial period are as follows:

- i) The total number of shares purchased during the financial period :437,600 Ordinary Shares of RM1.00 each.
- ii) The minimum price paid for each share purchased : RM0.420 each.
- iii) The maximum price paid for each share purchased : RM0.525 each.
- iv) The total amount paid for the shares purchased : RM198,918.
- v) Number of shares purchased retained in treasury : 437,600 Ordinary Shares of RM1.00 each.
- vi) Total number of shares retained in treasury as at 30 June 2008: 4,982,000 Ordinary Shares of RM1.00 each.
- vii) Number of shares purchased which were cancelled : Nil.
- viii) The total issued capital as diminished : Nil

#### 7) Dividends Paid

The Company did not pay any dividend for the current quarter under review.

## 8) Segmental Analysis

	6 months ended		
	30 June 2008	30 June 2007	
	RM'000	RM'000	
Segment Revenue			
Manufacturing carpets development	26,808	22,219	Property
	21,378	42,223	
	-----	-----	
	48,186	64,442	
Elimination of inter-segment sales	-	-	
	-----	-----	
Total revenue	48,186	64,442	
	=====	=====	
Segment Results			
Manufacturing carpets	265	197	
Property development	215	301	
	-----	-----	
	480	498	
Eliminations	-	-	
	-----	-----	
	480	498	
Unallocated expenses	(70)	(62)	
	-----	-----	
Profit from operations	410	436	
	=====	=====	

## 9) Valuation of Property, Plant & Equipment

There were no amendments in the valuation of property, plant and equipment brought forward from the previous annual financial statements.

## 10) Subsequent Material Events

There were no material events subsequent to the end of the interim period reported on that have not been reflected in the financial statements for the said period, made up to the date of issue of this quarterly report.

## 11) Changes in the composition of the Group

There were no changes in the composition of the Group for the financial period under review, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings and discontinuing operations.

## 12) Contingent Liabilities and Contingent Assets

There were no changes in contingent liabilities (other than material litigation disclosed in Note 23) and contingent assets since the last annual balance sheet as at 31 December 2007 up to the date of issue of this quarterly report.

### 13) Performance Review

The Group recorded a gross revenue of RM48,186,000 in the current financial period compared to the corresponding period in the preceding year of RM64,442,000 and the Group's profit before taxation stood at RM309,000 compared to a loss before taxation of RM219,000 in the corresponding period in the preceding year.

The decreased in gross revenue was mainly attributed to the property segment. Paragon Heights development is at its project end and the project will be completed in 2008. Although overall gross revenue has decreased, lower finance costs amidst higher carpets segment revenue have resulted in a moderate increased in profit before taxation.

### 14) Quarterly Profit Before Taxation Comparison

The Group recorded a gross revenue of RM16,711,000 in the current quarter compared to the immediate preceding quarter of RM31,475,000 and the Group's profit before taxation stood at RM94,000 compared to RM215,000 in the immediate preceding quarter.

The decreased in profit before taxation in the current quarter is consistent with lower gross revenue registered compared to the immediate preceding quarter.

### 15) Current Year Prospects

With tighter financing terms and higher hire purchase interest rates coupled with the reduction on secondhand cars trade-in values, the performance of the local automotive industry will again depend on the various new models that will be launched. On the automotive export scene, the Group has secured contracts to supply substantial quantities of carpet products for the export market. The Group is already exporting to Australia and Indonesia in the second quarter of the year whereas the Group targets exports to South Korea to commence in the third quarter of 2008.

On our commercial carpet division, the forecast of economic growth rate of 5.0% for the year 2008 augers well for the Group. The Group has purchased additional production machines to relieve the Group of the immense pressure on production scheduling and targets to increase the revenue in the profitable areas of the Group's business.

While activities are in place to increase gross revenue of the carpet division, persistent escalating cost brought about by fluctuating fuel prices have affected the cost of manufacturing and construction. The Group has to continuously increase its operational efficiency and effectiveness and cost management in order to weather these challenges.

As for activities at the property development segment, Phase 2 of Paragon Heights, situated in Bukit Jalil, Kuala Lumpur will be completed in 2008.

The Group plans to continue to venture into property development via the proposed acquisition of Dominion Park Sdn Bhd ("Dominion"). The proposed acquisition was based on the development rights obtained by Dominion to develop a piece of leasehold land held under Pajakan Negeri No. 16052 for Lot 21690 Seksyen 2, Bandar Ulu Kelang, District of Gombak comprising 86,018 square metres.

### 16) Profit Forecast or Profit Guarantee

This note is not applicable.



## 17) Taxation

The breakdown of tax charge for the current quarter and financial year-to-date are as follows :

	Current Quarter RM'000	Current Year To Date RM'000
Current tax expense - current period	69	621
Deferred tax expense - current period	(50)	(529)
	-----	-----
	19	92
	=====	=====

The effective tax rate of the Group for the current quarter and the financial year-to-date is high compared to the statutory rate because certain expenses have been disallowed in arriving at the chargeable income in certain subsidiary companies.

## 18) Profit/(Loss) on sale of Unquoted Investments and/or Properties

There were no disposals of unquoted investments or properties for the current quarter and financial year-to-date.

## 19) Purchase and Disposal of Quoted Securities

- a) There was no purchase or disposal of quoted investments for the current quarter and financial year-to-date.
- b) There were no investments in quoted securities at the end of the reporting period.

## 20) Status of Corporate Proposals

Proposed acquisition by Paragon Union Berhad ("PUB") of the entire issued and paid-up share capital of Dominion Park Sdn Bhd ("Dominion") comprising 1,000,000 ordinary shares of RM1.00 each for a cash consideration of RM18,000,000.

On 19 August 2008, PUB had on even date entered into a shares sale agreement with Prestamewah Development Sdn Bhd ("PDSB") and Datuk Liw Jun Wai ("Datuk Liw") (collectively, the "Vendors") to acquire 1,000,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Dominion.

The proposed acquisition of Dominion is in line with PUB's plan to continue to venture into property development segment as Dominion has obtained the development rights to develop a piece of leasehold land held under Pajakan Negeri No. 16052 for Lot 21690 Seksyen 2, Bandar Ulu Kelang, District of Gombak comprising 86,018 square metres.

## 21) Group Borrowings

The total group borrowings are as follows:

	30 June 2008 RM'000
<u>Short Term Bank Borrowings</u>	
Secured:	
Bills payable	987
Bank overdrafts	893
Current portion of term loan	174
	-----
Sub-total	2,054
	-----
Unsecured:	
Bills payable	1,590
Bank overdrafts	112
	-----
Sub-total	1,702
	-----
Total	3,756
	=====
<u>Long Term Bank Borrowings</u>	
Secured Term Loan	826
	=====

## 22) Off-Balance Sheet Financial Instruments

There were no off-balance sheet financial instruments as at 23 August 2008, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

## 23) Material Litigation

i) Paragon Union Berhad v Transpac Capital Pte Ltd and Transpac Industrial Holdings Ltd

There were no changes in the status of the above material litigation since the previous quarter ended 31 March 2008.

ii) Paragon Union Berhad v Wong Chee Kong and Poh Hock Leng

There were no changes in the status of the above material litigation since the previous quarter ended 31 March 2008.

## 24) Dividend

No dividend has been declared for the financial quarter ended 30 June 2008.

## 25) Earnings Per Share

The basic and diluted earnings per share have been calculated based on the consolidated net profit for the period and on weighted average number of ordinary shares in issue during the period.

	Current Year Quarter 30.06.2008	Preceding Year to date 30.06.2007	Current Year to date 30.06.2008	Preceding Year 30.06.2007
<b>i) Earnings</b>				
Net profit for the period (RM'000)	75	51	217	165

	Current Year Quarter 30.06.2008	Preceding Year to date 30.06.2007	Current Year to date 30.06.2008	Preceding Year 30.06.2007
<b>ii) Weighted average number of ordinary shares</b>				
<b>Basic and diluted</b>				
Weighted average number of ordinary shares at beginning of the period ('000)	65,291	65,949	65,456	66,035
Effect of shares buyback during the period ('000)	(273)	(127)	(438)	(213)
Weighted average number of ordinary shares at end the period ('000)	65,018	65,822	65,018	65,822

The weighted average number of ordinary shares that would have been in issue after exercise of ESOS at fair value is anti-dilutive and is excluded in the computation of diluted earnings per share. Accordingly, there is no fully diluted earnings per share.